Revising interest rate limits on cash loans

HB 739 by Larry/Henderson

DIGEST: HB 739 would have set the annual interest charges on cash loans of up to $2,280 at $16 per $100, and at $8 per $100 on amounts from $2,280 to $5,700. It would have lowered the ceiling on cash loans regulated by VACS arts. 5069-3.15 from $9,500 to $5,700. (Current law allows lenders to charge $18 in annual interest per $100 up to $1,140 and $8 on each additional $100 up to $9,500.) The bill also would have lowered the interest charges on loans up to $1,140 and doubled the charges on loans between $1,140 and $2,280.

GOVERNOR'S REASON FOR VETO: "The increase in interest rates on small consumer loans contained in this bill is not warranted. At a time of historically low interest rates, raising the cost of borrowing money to those unable to obtain credit from any other source cannot be justified."

RESPONSE: Rep. Jerald Larry, author of HB 739, said: "This is a very complicated issue. The purpose of the bill was to keep consumer lenders from leaving the state and to give high-risk borrowers a legitimate source of credit. Although it did raise interest charges on some loans, it also lowered interest paid on the smaller loans."

Rep. Larry said the bill would have encouraged consumer lenders to return to or locate in the state, which would create jobs and provide small consumers with a credit source. He said competition in the consumer lending industry would regulate interest charges on small loans. Unless consumer lenders maintain offices in the state, however, persons needing their services will be forced to borrow money at a even higher rate of interest from pawn shops or borrow from illegitimate sources, said Rep. Larry.

NOTES: HB 739 was analyzed in the April 11 *Daily Floor Report.*